



State of Louisiana
DIVISION OF ADMINISTRATION

OFFICE OF STATE UNIFORM PAYROLL

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OFFICE OF STATE UNIFORM PAYROLL MEMORANDUM #2004-37

TO: All ISIS HR Paid Agencies

FROM: Jena W. Cary
Director

SUBJECT: Federal/State Tax Exempt Status, Completion of Forms W4/L4, and Impact On
Taxes Calculated on Leave Payouts

This memo replaces OSUP Memos #2001-69, #2002-02, and #2003-43.

Federal and State Tax Exempt Status:

2003 Forms W-4 for employees claiming exempt will expire February 16, 2004. A list of employees that are claiming this status can be produced by running ZP65 (Employee Tax Report). When reviewing ZP65, ensure that all employees whose records end 02/15/2004 or 02/16/2004 have a subsequent IT210 record. There should always be a subsequent IT210 record to 12/31/9999. **If there is no subsequent tax record, the employee(s) will fail payroll processing for period 04/2004.**

If you have not received a new withholding form for 2004 from the employee(s), you **must** change their federal filing status to "single" with "zero" withholding allowances. For employees that are claiming exempt in 2004 and a new withholding form has been received, a new IT210 record must be created following ISIS On-Line Help, Maintain Withholding Information. Louisiana state tax rules mirror the federal requirements; therefore, you should follow the same guidelines above for anyone who claimed state exempt status in 2003.

Forwarding Certain Forms to the IRS and Louisiana Department of Revenue:

According to Internal Revenue Service (IRS) Publication 15 (Circular E, Employer's Tax Guide), employers are required to send copies of certain Forms W-4 "received during the quarter from employees still employed by you at the end of the quarter" to the IRS. This includes employees claiming "(1) more than 10 withholding allowances or (2) exemption from withholding and his or her wages would normally be more than \$200 per week."

According to the Louisiana Withholding Tables and Instructions for Employers, "employers are required to submit copies of Form R-1300 (L-4) and Form R-1307 (L-4E) furnished to them by employees who do the following: (a) claim exemptions and dependency credits totaling 15 or more, or (b) complete Form R-1307 (L-4E) to claim exemption from withholding and whose wages are more than \$200 per week at the time the Form R-1307 (L-4E) is submitted." Due to the implementation of the enhanced features of LEO (Louisiana Employees Online), the Department of Revenue has requested ISIS-HR paid agencies to follow Federal guidelines by

submitting copies of Form R-1300 (L-4) and Form R-1307 (L-4E) if the employee claims exemptions and dependency credits totaling more than 10.

OSUP is responsible for forwarding these forms to the IRS and the Department of Revenue (LA DOR). **It is the agency's responsibility to determine which employees meet the criteria above and to forward copies of the Forms W-4 and L-4/L-4E to OSUP.** The Employee Tax Report (ZP65) in ISIS HR is available to assist with identifying these employees. **These forms are due to OSUP the week following the payday they were received. If we do not receive this information, any penalties assessed by the IRS or LA-DOR for failure to report will be turned over to your agency.** Note: It is not necessary to forward copies of Forms W-4 or L-4/L-4E for employees who are claiming exempt status and who at the time of completing the form earn wages of less than \$200 per week (ex. students, clients, or board members). However, in order to set up an employee with an exempt status, you must have a signed Form W-4/L-4E from the employee.

Completing Forms Prior to Forwarding to OSUP:

Prior to forwarding copies of Forms W-4, L-4/L-4E to OSUP, the following boxes must be completed:

Form W-4

Box 8 State of Louisiana Office of State Uniform Payroll,
 PO Box 94095, Baton Rouge, LA 70804-9095
Box 10 721447520

Form L-4

Box 9 State of Louisiana Office of State Uniform Payroll,
 PO Box 94095, Baton Rouge, LA 70804-9095
Box 10 1710599001

Form L-4E

Write the "Employer State Withholding Account Number" on the top of the form: 1710599001

If you have already written your agency's information in any of these boxes, make the change before forwarding the forms to OSUP.

Prior to faxing or mailing the forms to OSUP, agencies must review the forms for completeness. Instruct employees to read the instructions for the forms and complete all areas that are required. This includes employee's full name, address, and social security number. Agencies must also read the instructions and know what information is required to be completed. Agencies must review these forms to be sure they are complete and the information is legible, and must not accept incomplete forms.

LEO and Withholdings:

LEO's enhanced features allow employees to change federal and state tax withholding information. Employees will receive the message "Allowances claimed greater than FED (or State) threshold 10, file W-4 to agency" if the employee enters exemptions and dependency credits totaling more than 10. The employee will be required to submit a paper form to their Employee Administrator. LEO will not allow employees to change withholding status to "exempt." Again, the employee will be required to submit a paper form to their Employee Administrator. These forms must then be forwarded to OSUP.

Critical Information Regarding Changes to IT 210 Tax Records:

The following information taken directly from the ISIS HR Bulletin Board explains how taxes are calculated on leave payouts and **why it is important for employees to not make W-4/L-4 changes when leave payouts are expected:**

"TAX CHANGES (IT210)

- ISIS HR handles taxing for leave payouts differently than it does for the employee's normal gross wages.
- Gross wages generated by a payout (Maintain Leave Compensation IT416 or an auto payment of compensatory hours which exceeded allowable cap) are converted into the equivalent of 80 hour wage amounts, forcing the tax to be calculated as multiple pay period results.
- This contrasts how UPS formerly added the payment gross to current period taxable wages, thus overstating the biweekly wages resulting in large withholding amounts.

Agencies **should not** advise employees to change their tax withholding status for a single pay period to accomplish the tax "savings" that ISIS calculates automatically. If tax withholding status is changed for this single period, the result may be that taxes are actually under-withheld.

When calculating an employee's tax withholding amount, ISIS HR looks at the tax record in effect on CHECK DATE not the tax record active for the pay period date range. So, pay close attention to the FROM date entered on the tax record (IT210) when making a change."

Questions on ZP65 and how to set up IT210 records should be directed to the ISIS HR Help Desk at (225) 342-2677. Any other questions should be directed to a member of the OSUP Wage and Tax Administration Unit at (225):

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